

Rec Solar Norway AS  
Financial Statements  
**For the year ended 31st December, 2021**

To the General Meeting of Rec Solar Norway AS

## Independent Auditor's Report

### Opinion

We have audited the financial statements of Rec Solar Norway AS (the Company), which comprise the balance sheet as at 31 December 2021, the income statement and cash flow statement for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

### In our opinion

- the financial statements comply with applicable statutory requirements, and
- the financial statements give a true and fair view of the financial position of the Company as at 31 December 2021, and its financial performance and its cash flows for the year then ended in accordance with the Norwegian Accounting Act and accounting standards and practices generally accepted in Norway.

### Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Company as required by laws and regulations and the International Ethics Standards Board for Accountants' International Code of Ethics for Professional Accountants (including International Independence Standards) (IESBA Code), and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### Other Information

The Board of Directors and the Managing Director (management) are responsible for the information in the Board of Directors' report. The other information comprises information in the annual report, but does not include the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the information in the Board of Directors' report.

In connection with our audit of the financial statements, our responsibility is to read the Board of Directors' report. The purpose is to consider if there is material inconsistency between the Board of Directors' report and the financial statements or our knowledge obtained in the audit, or whether the Board of Directors' report otherwise appears to be materially misstated. We are required to report if there is a material misstatement in the Board of Directors' report. We have nothing to report in this regard.

Based on our knowledge obtained in the audit, it is our opinion that the Board of Directors' report

- is consistent with the financial statements and
- contains the information required by applicable legal requirements.

### Responsibilities of Management for the Financial Statements

Management is responsible for the preparation of financial statements that give a true and fair view in accordance with the Norwegian Accounting Act and accounting standards and practices generally accepted in Norway, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Company's ability to

continue as a going concern, disclosing, as applicable, matters related to going concern. The financial statements use the going concern basis of accounting insofar as it is not likely that the enterprise will cease operations.

#### Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error. We design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- conclude on the appropriateness of management's use of the going concern basis of accounting, and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves a true and fair view.

We communicate with the Board of Directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Oslo, 31 March 2022  
KPMG AS

Øyvind Skorgevik  
State Authorised Public Accountant

**INCOME STATEMENT****REC SOLAR NORWAY AS**

<b>REVENUES AND OPERATING EXPENSES</b>	<b>Note</b>	<b>2021</b>	<b>2020</b>
(Amount in NOK 1000)			
<b>REVENUE</b>			
Revenue	2	529 449	193 618
Other income	3, 15	48 327	46 462
<b>Total income</b>		<b>577 776</b>	<b>240 080</b>
<b>OPERATING EXPENSES</b>			
Raw materials and consumables used	11, 15	302 192	69 848
Change in stock of self-produced fixed assets	4	-12 648	-39 062
Employee benefits expense	4, 5	214 867	145 716
Depreciation and amortisation expenses	6, 7	182 578	226 245
Impairment loss	6, 7	1 941 900	1 722
Other expenses	4, 8, 9	300 986	196 915
Other gains/losses	16	-36 782	-724
<b>Gross operating expenses</b>		<b>2 893 093</b>	<b>600 660</b>
<b>Operating profit/loss</b>		<b>-2 315 317</b>	<b>-360 580</b>
<b>FINANCIAL INCOME AND EXPENSES</b>			
Interest income		21	166
Gains/losses on exchange		-27 529	30 379
Interest expense to group companies		-13 988	-17 893
Interest expenses		-1 540	-1 067
<b>Net finance</b>		<b>-43 035</b>	<b>11 586</b>
Profit/loss before income tax		-2 358 352	-348 995
Income tax expense	10	0	0
<b>Net profit/loss</b>		<b>-2 358 352</b>	<b>-348 995</b>
<b>ATTRIBUTABLE TO:</b>			
Other Equity		2 358 352	348 995
<b>Total allocated</b>		<b>-2 358 352</b>	<b>-348 995</b>

**BALANCE SHEET**  
**REC SOLAR NORWAY AS**

<b>ASSETS</b>	<b>Note</b>	<b>31.12.2021</b>	<b>31.12.2020</b>
(Amount in NOK 1000)			
<b>NON-CURRENT ASSETS</b>			
<b>INTANGIBLE ASSETS</b>			
R&D, Software and licenses	6	0	24 438
<b>Total intangible assets</b>		0	24 438
<b>TANGIBLE ASSETS</b>			
Buildings and land	7	22 592	1 370 300
Equipment, fixture and fittings, tools etc	7	12 264	719 706
Construction in progress	7	237 364	261 698
<b>Total property, plant and equipment</b>		272 220	2 351 703
<b>NON-CURRENT FINANCIAL ASSETS</b>			
<b>Total non current assets</b>		272 220	2 376 141
<b>CURRENT ASSETS</b>			
Inventories	11	402 297	289 705
<b>DEBTORS</b>			
Accounts receivables		79 109	10 266
Other short-term receivables	17	58 154	70 775
Receivables from group companies	15	31 868	46 164
<b>Total receivables</b>	<b>17</b>	169 131	127 205
Cash and cash equivalents	12	22 204	29 619
<b>Total current assets</b>		593 632	446 528
<b>Total assets</b>		865 852	2 822 669

**BALANCE SHEET**  
**REC SOLAR NORWAY AS**

<b>EQUITY AND LIABILITIES</b> (Amount in NOK 1000)	<b>Note</b>	<b>31.12.2021</b>	<b>31.12.2020</b>
<b>EQUITY</b>			
<b>OWNERS EQUITY</b>			
Share capital	13	992 315	150 140
Other Equity		0	1 983 461
<b>Total owners equity</b>		<b>992 315</b>	<b>2 133 601</b>
<b>RETAINED EARNINGS</b>			
Uncovered loss		-375 143	0
<b>Total retained earnings</b>		<b>-375 143</b>	<b>0</b>
<b>Total equity</b>	<b>14</b>	<b>617 173</b>	<b>2 133 601</b>
<b>LIABILITIES</b>			
<b>PROVISIONS</b>			
Employee benefit obligations	5	3 736	3 126
<b>Total provisions</b>		<b>3 736</b>	<b>3 126</b>
<b>OTHER NON-CURRENT LIABILITIES</b>			
Other non-current liabilities	15, 17	119 842	547 478
<b>Total non-current liabilities</b>		<b>119 842</b>	<b>547 478</b>
<b>Total long term liabilities</b>		<b>123 578</b>	<b>550 604</b>
<b>CURRENT LIABILITIES</b>			
Accounts payable		67 757	80 971
Public duties payable		14 616	11 455
Liabilities to group companies	15	7 734	26 893
Other current liabilities		34 995	19 145
<b>Total current liabilities</b>		<b>125 102</b>	<b>138 464</b>
<b>Total liabilities</b>		<b>248 680</b>	<b>689 068</b>
<b>Total equity and liabilities</b>		<b>865 852</b>	<b>2 822 669</b>

**BALANCE SHEET****REC SOLAR NORWAY AS**

Kristiansand, 30.03.2022  
The board of Rec Solar Norway AS

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Steven Mark Oneil  
chairman of the board

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Jan Enno Bicker  
member of the board

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Rune Norheim  
member of the board

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David Juan Verdu  
member of the board / general  
manager

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Ronnie Andersen Salvesen  
member of the board

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Shankar Gauri Sridhara  
member of the board

**CASH FLOW STATEMENT****REC SOLAR NORWAY AS**

(Amount in NOK 1000)	Note	2021	2020
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Profit/loss before tax		-2 358 352	-348 995
Ordinary depreciation		182 578	226 245
Impairment of fixed assets		1 941 900	1 722
Change in inventory		-112 592	-71 815
Change in accounts receivable		-68 843	-23
Change in accounts payable		-13 214	19 416
Pension expense without cash effect		357	235
Change in other accrual items		45 927	-21 775
<b>Net cash flows from operating activities</b>		<b>-382 238</b>	<b>-194 990</b>
<b>CASH FLOWS FROM INVESTMENT ACTIVITIES</b>			
Purchase of tangible non current assets		-20 558	-176 125
<b>Net cash flows from investment activities</b>		<b>-20 558</b>	<b>-176 125</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>			
Proceeds from the issuance of new intragroup loan		395 381	365 140
<b>Net cash flows from financing activities</b>		<b>395 381</b>	<b>365 140</b>
<b>Net change in cash and cash equivalents</b>		<b>-7 415</b>	<b>-5 975</b>
Cash and cash equivalents at the start of the period		29 619	35 593
<b>Cash and cash equivalents at the end of the period</b>		<b>22 204</b>	<b>29 619</b>



Rec Solar Norway AS is a company located in Norway, producing high-purity silicon (Elkem Solar Silicon) for the solar industry. The company is fully owned by REC Solar Holdings AS.

Figures are in NOK thousands unless otherwise specified.

### **Note 1 Accounting principles**

The financial statement have been prepared in accordance with the Norwegian Accounting Act and generally accepted accounting principles in Norway. The accounts are prepared on the basis of a going concern assumption.

### **Changes in accounting policies**

Changes in accounting policies are recognized directly in the equity, and the opening balance is adjusted as if the new accounting policy had always been applied. Last years figures are changed correspondingly, for comparative purposes. There has been no change in accounting policies in 2021.

### **Accounting estimates**

In the event of uncertainty, the best estimate is applied, based on the information available when the annual accounts are prepared. Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimate are revised and in the future periods affected.

One area where the managements use of estimates and assumptions has particular importance, is the calculation of fair value for tangible assets (with a net book value of 272 MNOK, note 7), intangible assets (net book value of 0 MNOK, note 6). The estimated fair value, based on estimated discounted cash flows, for these assets, did not lead to impairment. For additional information, see "Assessment of fair value on intangible assets, fixed assets and operating material and spare parts" in note 7.

### **Foreign currency**

Rec Solar Norway AS's functional currency is Norwegian Kroner (NOK). Transactions in foreign currencies are converted to functional currency using the exchange rate at the dates of the transactions. At the end of each reporting period foreign currency monetary items are translated using the closing rate. Non-monetary items that are measured in terms of historical cost are translated using the exchange rate at the date of the transaction. Non-monetary items that are measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was measured. Changes in the exchange rates are recognized continuously in the accounting period.

### **Revenue recognition and costing principles**

Sales revenues are presented net of VAT and discounts. Revenues from goods sold are recognized when the significant risk and reward of the ownership of the goods is transferred to the buyer, according to actual delivery term for each sale. Revenues and sales expenses, related to the same transaction, are recognized in the same period. Revenues from sales of services are recognized according to completion. Provision for loss on receivables is booked when ascertained.

Goods and services bought and sold in foreign currencies are recorded with the exchange rate on the transaction date.

Income from insurance settlements are recognized in the profit and loss when there is reasonable assurance Rec Solar Norway AS will receive the compensation. Interest income is recognized on accrual basis. Dividend is recognized when a shareholder's right to receive dividend is resolved by the shareholders meeting.

### **Operating expenses and maintenance**

Direct maintenance cost is expensed under operating expenses as and when it is incurred. Expenditure on major maintenance, refits, repairs or upgrades are capitalized as investment.

### **Valuation and classification of assets and liabilities**

Assets intended for permanent ownership or use are classified as fixed assets. Other assets are classified as current assets. Receivables to be paid within one year are classified as current assets. The classification of current and long-term debt is equivalent when criteria is applied.

Fixed assets are valued at cost, but written down to its recoverable amount if this is lower than book value, and the impairment is not expected to be temporary. Fixed assets with finite useful life are amortized. Current assets are valued at the lower of cost and fair value. Other long-term liabilities and current liabilities are valued at nominal value.

#### **Intangible assets**

Expenses relating to the manufacture of intangible assets, including expenditure on research and development, are expensed as incurred, and capitalized when it is probable that future economic benefits associated with the assets will flow to the company, and the cost can be measured reliably.

Intangible assets acquired individually, are capitalized at cost. Intangible assets acquired through acquisitions, are capitalized at cost when the criteria for capitalization is met.

Intangible assets with finite useful life are amortized.

#### **Tangible assets**

Tangible assets are recorded at cost less accumulated depreciation and impairment. Construction in progress is presented as a separate category, and transferred to the relevant group when construction is finished and ready for depreciation. Depreciation is distributed evenly over the expected lifetime.

#### **Impairment of intangible and fixed assets**

Book value of fixed assets are reviewed at each period end, based on internal and external impairment indicators, such as profitability, operations, technological development, market development etc. If such evidence exists, recoverable amount will be calculated. If the recoverable amount (calculated from FVLCD) is lower than book value, the asset is written down. The impaired amount is reversed at a later date, to the extent that the loss no longer exists.

#### **Leasing**

Leases are classified as financial leases whenever the terms of the lease transfer substantially all the risk and reward of ownership to the lessee. All other leases are classified as operational leases. Assets held under finance leases are initially recognized as assets at the present value of the minimum lease payment. The corresponding liability to the lessor is included in the financial statement as a finance lease obligation. Each lease payment is allocated between the liability and finance charges so as to achieve a constant rate on the obligation.

#### **Loans and receivables**

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in a regulated market. They are recognized at amortised cost using the effective interest method. Gains and losses are recognized in the income statement when the loans and receivables are derecognized or impaired, as well as through the amortisation process. An impairment loss is recognized when the carrying amount exceeds the estimated recoverable amount.

The category includes operating receivables, deposits, guarantees and loans. These assets are classified in the balance sheet as non-current assets or other current assets, if the repayment schedule is less than a year.

#### **Cash and cash equivalents**

Cash and cash equivalents consists of bank deposits and other monetary instruments with a maturity of less than three months from acquisition.

#### **Hedge accounting**

Rec Solar Norway AS may designate certain derivatives as hedging instruments for fair cash flow hedges. At the inception of the hedge relationship, the entity documents the relationship between the hedging instrument and the hedged item, along with its risk management objectives and its strategy for undertaking various hedge transactions.

### Cash flow hedges

The effective portion of changes in the fair value of derivatives that are designated and qualify as cash flow hedges, are recognized in the equity and accumulated under the heading of cash flow hedging reserve. The gain or loss relating to the ineffective portion is recognized immediately in the income statement.

Gain/losses recognized in the equity are reclassified into Profit or Loss in the same period(s) as the hedged assets/liabilities.

When a hedging instrument expires or is sold, or when a hedge no longer meets the criteria for hedge accounting, any cumulative gain or loss existing in the equity at that time remains in equity, and is recognized when the forecast transaction is ultimately recognized in the income statement. When a forecast transaction is no longer expected to occur, the cumulative gain or loss that was reported in equity is immediately transferred to the income statement.

### **Inventories**

Inventories are valued at the lower of cost or fair value, i.e. net realizable value. To determine the acquisition cost, a specific mapping is used when possible. For operating materials and spare parts average cost is used. For other items, where direct assignment or averaging method is not practical or appropriate, FIFO is used. Full production cost is used to set the cost of manufactured goods, which includes direct materials and salaries, plus a proportionate share of indirect and fixed costs based on normal capacity utilization.

Net realizable value is based on estimated selling price, less costs necessary for completion and sales. For raw materials and work in progress, the net realizable value is calculated based on the sales value of finished products deducted for remaining production costs.

Changes in inventories relating to work in progress and finished goods are recorded on a separate line in the income statement. Change in inventories for raw materials are recognized in cost of goods sold.

Operating equipment and spare parts are classified as inventories. Inventory change of operating materials are recognized as other operating expenses.

### **Taxation**

#### Income taxes

Current tax assets and liabilities are measured at the amount expected to be recovered or paid to the tax authorities. Current tax payable includes any adjustment to tax payable in respect of previous years.

Income tax is recognized in the income statement except to the extent that it relates to items recognized directly in equity. Income tax relating to items recognized directly in equity is recognized in equity, not in the income statement.

Uncertain tax positions are included when it is probable that the tax position will be sustained in a tax- review, and provisions are made relating to uncertain or disputed tax positions at the amount expected to be paid. The provision is reversed when the disputed tax position is settled in favour of the entity and can no longer be appealed.

#### Deferred tax

Deferred tax assets and liabilities are calculated using the liability method with full allocation for all temporary differences between the tax base and the carrying amount of assets and liabilities in the financial statement, including tax losses carried forward. Deferred tax relating to items outside profit and loss is recognized outside profit and loss. Deferred tax items are recognized in correlation to the underlying transaction either in profit and loss or directly in equity.

If the temporary difference arises from the initial recognition of goodwill, the deferred tax assets and liabilities are not recognized.

Deferred tax assets are recognized in the statement of financial position to the extent it is more likely than not that the tax assets will be utilised. The enacted tax rate at the end of the reporting period and undiscounted amounts are used. Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax liabilities and assets

**Retirement benefits**

Defined benefit plans are valued at the present value of accrued future pension benefits at the balance sheet date. The related net pension cost for the period is classified as payroll expenses. Multi-employer plans lacking sufficient information to enable the company's liability to be calculated, are accounted for as a defined contribution scheme. Defined contribution plans are plans where the company make monthly contributions to the employee's individual pension plans, and where the future pensions are determined by the amount of contribution and the return on each individual plan. The payments to the contribution plans are expensed as incurred and classified as a part of the payroll expenses.

**Government grants**

Government grants are recognized when it is virtually certain that the company will comply with the conditions attaching them, and the grants will be received. Government grants relating to property, plant and equipment are deducted from the carrying amount of the asset. The grant is recognized as income over the lifetime of a depreciable asset by reducing the depreciation charge. Grants related to expenses are classified as other operating income.

**CO2 emission quotas**

CO2 emission quotas allocated from the government are classified as government grants, measured at nominal value (zero). The CO2 quotas are meant to cover CO2 emissions from the plant in Norway. If actual emissions exceed the allocated emission quotas, additional quotas are purchased. Purchased CO2 quotas are recognized at cost as other operating expenses, and any sale of CO2 quotas are recognized as other operating income, according to transaction price.

**CO2 compensation**

The Norwegian government has, from 2013, established a CO2 compensation scheme to compensate for CO2 costs included in power contracts for industry. The extent of the scheme may vary considerably from year to year depending on the future carbon price. This compensation scheme applies for the Norwegian plants, and is recognized as other operating income when there is reasonable assurance that the entity will comply with the conditions attached and the grants will be received.

**Contingent liabilities**

If it is likely that a liability will be settled, and the settlement value can be estimated reliably, the obligation is expensed in the income statement and included as a provision for liabilities.

**Events after the reporting period**

Events after the reporting period related to Rec Solar Norway AS's financial position at the end of the reporting period, are considered in the financial statement. Events after the reporting period that have no effect on the company's financial position at the end of the reporting period, but will have effect on future position, are disclosed if the future effect is material.

**Note 2 Income per business area**

(Amount in NOK 1000)

<b>Business area</b>	<b>2021</b>	<b>2020</b>
Si99	176 640	89 069
ESS	144 898	56 449
Block	171 165	33 419
Other	36 746	14 681
<b>Total</b>	<b>529 449</b>	<b>193 618</b>

**Per geographic area**

Nordic countries	199 303	86 645
EU ex. nordic countries	45 768	37 219
The world ex EU and nordic countries	284 379	69 754
	<b>529 449</b>	<b>193 618</b>

**Note 3 Other income**

(Amount in NOK 1000)

	<b>2021</b>	<b>2020</b>
<b>Other Income consists of:</b>		
CO2 compensation	31 501	31 647
Governments grants on R&D Projects	11 061	7 844
Other Income (rental, manpower etc.)	5 765	6 972
<b>Total</b>	<b>48 327</b>	<b>46 462</b>

**Note 4 Salary costs and benefits, remuneration to the chief executive, board and auditor**

(Amount in NOK 1000)

<b>Salary costs</b>	<b>2021</b>	<b>2020</b>
Salaries	175 408	117 134
Employment tax	25 680	17 676
Pension costs	12 496	9 374
Other benefits	1 282	1 532
<b>Total</b>	<b>214 867</b>	<b>145 716</b>

Self-produced fixed assets (capitalization of costs relating to projects)	-12 648	-39 062
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In 2021 the company employed 224 full time equivalents. In 2020 the number of full time equivalents was 183.

**Remuneration to senior executives**

<b>Remuneration to executives</b>	<b>General manager</b>
Salaries	2 840
Pension expenses	155
Other remuneration	7

**Loans and guarantees for employees**

There are no loans or guarantees to board members and senior executives.

**Audit and other services**

	<b>2021</b>
Audit	775
Other assurance services	317

Fees to auditors are reported exclusive of VAT

## Note 5 Retirement benefits

### Defined contribution plans

REC Solar Norway AS' employees are mainly covered by pension plans that are classified as contribution plans.

Defined contribution plans comprise arrangements whereby the company makes annual contributions to the employee's pension plan, and where the employee's future pension is determined by the amount of the contributions and the return on the individual pension plan asset. In addition, multi-employer plans where sufficient information to calculate each participant's pension obligation is not available should be accounted for as it is a defined contribution plan.

The company's contributions to the employees individual pension plan assets constitutes 5% of base salary up to 7.1G and 15% between 7.1 and 12G. G refers to the national insurance scheme's basic amount in Norway, amounting to NOK 106 399 as at 1 May 2021. Pension on salary above 12G is not supported by external service providers and is therefore handled as a separate plan classified as a defined benefit plan.

REC Solar Norway AS participates in the early retirement scheme AFP. This is as a multi-employer plan accounted for as a defined contribution plan, in accordance with the Ministry of Finance's conclusion. The participants in the pension plan are jointly responsible for 2/3 of the plan's pension obligation, the government is responsible for the remaining part. The yearly pension premium in 2021 is 2,5% of the employee's salary between 1 and 7.1G, covering this year's pension payments and contribution to a security fund for future pension obligations. The premium in per cent of salary for 2021 is equal to 2020.

### DEFINED BENEFIT PLAN

The interest is presented as a part of financial expenses. Remeasurements of the defined benefit plans are recognized directly in equity.

The company's pension schemes meet the minimum requirement in the Norwegian Act of Mandatory Occupational Pension.

Breakdown of net pension cost  
(Amount in NOK 1000)

	<b>2021</b>	<b>2020</b>
Current service cost	256	87
<b>Net periodic pension cost</b>	<b>256</b>	<b>87</b>
Defined contribution plan, payments to Storebrand	9 055	7 543
Early retirement plan "AFP"	3 178	1 744
<b>Pension Cost total</b>	<b>12 490</b>	<b>9 374</b>
Additional interest cost for the year	136	148
The net total of pension liability		
Present value of pension obligation	-3 736	-3 126
<b>Net pension obligation</b>	<b>-3 736</b>	<b>-3 126</b>

Pension obligation is calculated based on salary in August + expected salary payout rest of the year + return on funds earned based on 5,40%, which is the rate of appropriations interest rate pension on wages above 12G.

3 employees are covered by the benefit plan for pension on salary above 12G pr 31/12/2021

**Note 6 Intangible assets**

(Amount in NOK 1000)

	EDP Programs	Development of new technology	Construction in progress	Total
Historic cost 01.01.2021	32 397	111 927	9 068	153 392
Additions 2021	0	0	0	0
Disposals 2021	0	0	0	0
<b>Historic cost 31.12.2021</b>	<b>32 397</b>	<b>111 927</b>	<b>9 068</b>	<b>153 392</b>
Acc. depreciation 31.12.2021	22 253	100 161	0	122 414
Acc. writedowns 31.12.2021	10 144	11 766	9 069	30 979
<b>Net booked value 31.12.2021</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
The year's depreciation	55	3 548	0	3 603
The year's write-downs	0	11 766	9 068	20 834
Expected lifetime	5 - 12 years	8 - 20 years		
Depreciation plan	Linear	Linear	None	

Intangible assets are mainly related to the pilot plant for development of new technology.

**Note 7 Tangible assets**

(Amount in NOK 1000)

	Property and plant	Equipment, fixture and fitting	Construction in progress	Total
Historic cost 01.01.2021	2 385 294	3 093 226	278 519	5 757 039
Additions 2021	0	0	20 558	20 558
Disposals 2021	0	0	0	0
<b>Historic cost 31.12.2021</b>	<b>2 385 294</b>	<b>3 093 226</b>	<b>299 077</b>	<b>5 777 596</b>
Acc. depreciation 31.12.2021	1 085 663	2 339 116	0	3 424 779
Acc. writedowns 31.12.2021	1 277 039	741 846	61 713	2 080 597
<b>Net booked value 31.12.2021</b>	<b>22 592</b>	<b>12 265</b>	<b>237 364</b>	<b>272 219</b>
The year's depreciation	72 833	106 142	0	178 975
The year's write-downs	1 274 875	601 300	44 891	1 921 066
Expected lifetime	8 - 40 years	3 - 30 years		
Depreciation plan	Linear	Linear	None	

**Assessment of fair value of intangible assets, fixed assets and operating materials and spare parts**

Rec Solar Norway AS's assets consist primarily of fixed assets with 272mill kroner (Note 7), intangible assets with 0 mill. kroner (note 6) and net work capital of 66 mill. kroner, in total 338 mill. kroner. Book value of these assets are considered in relation to its recoverable amount. Current assets are assessed separately.

Recoverable amount is calculated according to the methodology of fair value less costs of sell (FVLCD). Fair value is estimated by discounting expected future cash flows with WACC (Weighted Average Cost of Capital). Management has projected cash flows based on forecast and strategy plans covering a two-year period. Currency rates and power prices are based on external official sources such as Reuters and Nasdaq. Beyond the explicit forecast period of two years, the cash flows are extrapolated using constant nominal growth rates.

### **KEY ASSUMPTIONS**

Impairment tests are performed by comparing the carrying amount for the asset or the Cash Generating unit (CGU) including goodwill, with the recoverable amount. The recoverable amount is based on the methodology of fair value less costs of sell (FVLCD). A CGU is the lowest level at which independent cash flows can be measured. The company has one integrated production process and one CGU. Key assumptions used in calculation of FVLCD are selling prices, production costs and discount rates. Both production and sales volumes are also considered key assumptions.

Selling prices are forecasted based on two widely used third-party forecasts, value-added products from committed investment into modifying production lines, inflation, market development in which the entity operates. Fluctuation in future sales prices may affect forecasted EBITDA levels.

Production cash costs takes into consideration maximum production capacity, budgeted operational efficiency programs, expected raw material prices, planned supply chain process improvements and synergies with REC Group which will further reduce raw material prices significantly with closed loop kerf recycling through obtaining raw material from the waste produced by the REC Group operations. Changes to raw material prices may affect future production cash costs and estimated EBITDA levels. A normalised capital expenditure is assumed in the long run.

Discount rates: The required rate of return was calculated by the WACC method. The cost of a company equity and debt, weighted to reflect the average capital structure of comparable companies, derives its weighted average cost of capital. The WACC rates used in discounting the future cash flows are based on 10-year risk-free interest rate. The discount rates take into account the debt premium, market risk premium, corporate tax rate and asset beta. The computed post-tax WACC of 9,5% is applied for impairment assessment.

### **IMPAIRMENT TEST RESULTS AND CONCLUSION**

As a result of the assessment performed, the recoverable amount of CGU is assessed to be lower than the carrying values of CGU that led to impairment loss of 1.931 MNOK booked for the income statement on 30 November 2021.

### **SENSITIVITY OF ESTIMATED CASH FLOWS**

An increase of 1 percentage point in WACC will result in an impairment for REC Solar Norway AS of US7.5M. An individual change of 5% in key assumptions will result in a change in impairment value for REC Solar Norway AS between US11.2m to US50.0m.



**Note 8 Other operating Expenses**

	<b>2021</b>	<b>2020</b>
Travel and meeting expense	316	780
Machinery, inventory and material	162 138	78 894
Repair and maintenance	29 426	17 689
Audit, consultants and other services	46 980	45 298
Telecom office, transportation	1 372	1 151
Additives used in production	6 216	1 893
Insurance premium	7 416	5 915
Rental costs	24 823	21 740
Transportation expenses	3 971	2 142
Other expenses	18 330	21 414
<b>Total</b>	<b>300 986</b>	<b>196 915</b>

**Note 9 Operational leasing**

(Amount in NOK 1000)

	<b>Machines Property and plant</b>	<b>Fixture and fitting vehicles</b>	<b>Total</b>	
Expenses 2021	9 450	15 257	77	24 784
Contractual leasing to maturity				
2022	3 455	8 751	55	12 261
2020 - 2023	7 920	23 415	128	31 463
<b>Total future lease cost</b>	<b>11 375</b>	<b>32 166</b>	<b>183</b>	<b>43 724</b>

**Note 10 Tax**

<b>This year's tax expense</b>	<b>2021</b>	<b>2020</b>
Entered tax on ordinary profit/loss:		
<b>Payable tax</b>	<b>0</b>	<b>0</b>
Prior year group contribution	0	0
<b>Tax expense on ordinary profit/loss</b>	<b>0</b>	<b>0</b>
Taxable income:		
<b>Ordinary result before tax</b>	<b>-2 358 352</b>	<b>-348 995</b>
Permanent differences	-1 860	-2 144
Changes temporary differences	1 973 708	-64 453
Cut interest deduction	15 445	18 819
<b>Taxable income</b>	<b>-371 059</b>	<b>-396 773</b>
Payable tax in the balance:		
<b>Payable tax on this year's result</b>	<b>0</b>	<b>0</b>
Payable tax on received Group contribution	0	0
<b>Total payable tax in the balance</b>	<b>0</b>	<b>0</b>

The tax effect of temporary differences and loss for to be carried forward that has formed the basis for deferred tax and deferred tax advantages, specified on type of temporary differences:

	<b>2021</b>	<b>2020</b>	<b>Difference</b>
Tangible assets	-1 453 991	546 601	2 000 592
Long-term receivables and liabilities in foreign currency	-15 601	-15 601	0
Stock	4 952	-12 671	-17 623
Accounts receivable	0	-12 742	-12 742
Profit and loss account	11 484	14 355	2 871
Pension premium / liabilities	-3 736	-3 126	610
<b>Total</b>	<b>-1 456 892</b>	<b>516 816</b>	<b>1 973 708</b>
Commodity contracts	0	0	0
Accumulated loss to be brought forward	-4 172 700	-3 801 642	371 058
Cut interest deduction	-281 720	-266 273	15 447
Not included in the deferred tax calculation	5 911 312	3 551 099	-2 360 213
<b>Basis for calculation of deferred tax</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>Deferred tax assets (22 %)</b>	<b>0</b>	<b>0</b>	<b>0</b>
Effect of change in tax rate			

Deferred tax is not booked to the balance sheet.

**Note 11 Inventory**

(Amount in NOK 1000)

	<b>2021</b>	<b>2020</b>
Raw materials	120 010	82 229
Work in progress	44 722	18 759
Finished goods	134 711	79 316
Operating equipment	102 854	109 401
<b>Total</b>	<b>402 297</b>	<b>289 705</b>

Inventories are valued at the lower of cost or fair value, i.e. net realizable value.

Pr 31/12/2021 raw materials is written down by -31,0 MNOK accumulated (2020: -23,5 MNOK). Finished goods are written down by 0,0 MNOK accumulated (2020: -1,4 MNOK). Work in progress is written down by 0,0 MNOK accumulated (2020: 0,0 MNOK), while operating materials is written down by -47,2 MNOK accumulated (2020: -41,9 MNOK).

**Note 12 Restricted bank deposits**

Restricted bank deposits consists of withheld employee taxes (7 569 824 kr), pension funds (3 406 023 kr) and deposits house rent (6 001 451 kr).

**Note 13 Shareholders****THE SHARE CAPITAL IN REC SOLAR NORWAY AS AS OF 31.12 CONSISTS OF:**

	<b>Total</b>	<b>Face value</b>	<b>Entered</b>
Ordinary shares	1	992 315 474	992 315

Ownership structure

The largest shareholders in % at year end:

	<b>Ordinary</b>	<b>Owner interest</b>
Rec Solar Holding AS	1	100 %
<b>Total number of shares</b>	<b>1</b>	<b>100 %</b>

Reliance Industries Limited, which has its registered offices at Maker Chambers IV, 3rd Floor, 222 Nariman Point, Mumbai 400 021, India and with an office at Model Economic Township Limited 77B, 3rd Floor, IFFCO Road, Sector 18, Gurugam 122015, prepares the consolidated accounts for 2021. The consolidated accounts may be obtained from the same address.

**Note 14 Equity capital**

(Amount in NOK 1000)

	Share capital	Share premium	Uncovered loss	Total equity capital
Pr. 31.12.2020	150 140	1 983 461	0	2 133 601
Share Capital Increase	842 175	0	0	842 175
Actuarial losses pensions		-252	0	-252
Net profit 2021		-1 983 209	-375 143	-2 358 352
<b>Pr 31.12.2021</b>	<b>992 315</b>	<b>0</b>	<b>-375 143</b>	<b>617 173</b>

See also note 15 for further information.

**Note 15 Related parties**

Rec Solar Norway AS is a company of REC Solar Holding AS. In 2020 and the period up until 30.11.2021 the ultimate parent company of REC Solar Norway AS was China National Bluestar Co. Ltd. On 01.12.2021 there was a change of ownership, and the ultimate parent company is now Reliance Industries Limited i India.

In the period 01.01.21-30.11.21 Elkem ASA companies were group companies and related parties for this purpose. Rec Solar Norway's sale of goods to Elkem Companies in 2021 amounted to 166,7 MNOK (90,6MNOK in 2020). Sales to REC Trading, Shanghai amounted to 0,5MNOK in 2021.

Rec Solar Norway also provided administrative services to other Elkem companies. In 2021, Rec Solar Norway AS invoiced 5,3 MNOK for these services (5,6MNOK in 2020) .

Rec Solar Noway purchased kerf from REC Trading for use in production. Total purchases in 2021 amounted to 112,7 MNOK.

Rec Solar Norway purchased power, goods and administrative services from Elkem ASA. Total purchases in 2021 equal 195,8 MNOK (59MNOK in 2020).

Management fee to Rec Solar Pte Ltd in 2021 amounted to 1 MNOK (1MNOK in 2020).

Rec Solar Holdings AS has provided a long term loan of MNOK 119,8 to REC Solar Norway AS. There are no mortgage related to the loan.

In November 2021 REC Solar Holdings AS, as the parent company of REC Solar Norway AS, contributed with a capital increase of MNOK 842,1 to REC Solar Norway AS. The capital increase was done through a conversion of the Group long term loan owed by REC Solar Norway to its parent company at the time of the conversion.

**Company balances**

(Amount in NOK 1000)

	2021	2020
<b>Receivables</b>		
Group receivables	31 868	46 164
<b>Sum Group receivables</b>	<b>31 868</b>	<b>46 164</b>
<b>Liabilities</b>		
Group liabilities	7 734	26 893
Group long term loan	119 842	547 478
<b>Sum</b>	<b>127 576</b>	<b>574 371</b>

**Note 16 Other gains/losses**

(Amount in NOK 1000)

	<b>2021</b>	<b>2020</b>
Operating exchange gain/loss	-36 782	-724
<b>Sum other gains/losses</b>	<b>-36 782</b>	<b>-724</b>

Rec Solar Norway AS has revenue and operating costs in various currencies. The prices of finished goods are to a large extent determined in international markets, primarily in US Dollar. A fluctuation on US dollar vs. NOK exposes the company to currency risk. This is partly offset by purchase of raw materials denominated in the same currency.

**Note 17 Long term liabilities**

	<b>2021</b>	<b>2020</b>
<b>Long-term liabilities with a maturity later than 5 years</b>		
Debt to credit institutions	0	0
Other long-term debt	0	0
<b>Total</b>	<b>0</b>	<b>0</b>
<b>Liabilities secured by mortgage</b>	<b>0</b>	<b>0</b>
Charged assets:		
Fixed Assets	0	0
Inventory	0	0
Trade debtors	0	0
<b>Total</b>	<b>0</b>	<b>0</b>
<b>The assets are in addition placed as security for:</b>		
Unutilised bank overdraft	0	0
Contractor guarantees	0	0
<b>Total</b>	<b>0</b>	<b>0</b>

**Note 18 Subsequents Events**

Due to the outbreak of war between Ukraine and Russia in first quarter of 2022 the transportation of goods with train to Shanghai is temporary stopped. We will stop to use the train transportation and continue to use boat as transportation, which takes 8 weeks instead of 4. This will not have a huge impact on sales from Shanghai.

There is a new outbreak of Covid in China, which has caused a new lockdown there. This might delay the transportation of Kerf from Shanghai to Norway. We have a good amount of Kerf already in stock in Norway and more on in transit on boats arriving in Norway in the beginning of April.

Poly pricing is very good in Q1 2022 at 33 usd/kg market price.